

# BUSINESS CONDITIONS & FORECASTS

## A M A News Letter

UNIVERSITY OF WASHINGTON

APR 10 1939

SEATTLE, WASHINGTON

MARCH 30, 1939

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

### The President's Scratch-Pad

It is noticeable in management gatherings of all types, and in the business publications that come across this desk, that problems of organization—of coordination—are being discussed with growing thoroughness and frequency.

It is increasingly apparent that management of our modern business enterprises must be looked upon as a "symphony" of activities. They must be led with the same artistry that an orchestra conductor brings to his performance. No one element must be allowed to predominate at the cost of discord in the whole.

How shall various departments of an enterprise be staffed most effectively? How shall we distinguish between functions that should be essentially operative and those that are really technical and advisory? How can liaison be effected between departments whose immediate self-interests may sometimes seem to run counter to the objective of the entire organization? In short, how can the manager build up the best kind of working force? And after it is once built, how can he best retain his perspective in guiding it?

To solve such problems, the successful manager today is alert to take advantage of the thinking of others on problems similar to his, for reflection often shows a surprising degree of applicability of an idea from industry A to industry B. And he carries this method into his own organization by seeing to it that Department A makes use of ideas from Department B.

It is in furthering this "philosophy of alertness" that members of the American Management Association today find their greatest opportunity. The symposium idea is a case in point. In the forthcoming Sales Conference, for example, the thinking of men in positions of top management, production, finance, and personnel will be brought to bear on the problems of the sales executive. The alert sales executive owes it to his organization to expose himself to these ideas.

Alvin E. Dodd

## CONFERENCE FOR SALES EXECUTIVES

### Messrs. Kobak and Harte Announce Final Program and Speakers

Plans for the forthcoming Conference of AMA's Marketing Divisions, Hotel Commodore, New York, Wednesday and Thursday, April 12 and 13, have been considerably furthered since the announcement in last month's NEWS LETTER.

An "advance proof" of the program went to all members on March 17, and as shown there, many of the specific topics and speakers had already been arranged for. Since then, additional speaker acceptances have been secured, and a final program will probably be mailed on April 1.

Expressions of interest in the meeting already received show that we can expect one of the most successful conferences the

Marketing Divisions have ever held.

The "Symposium" at which representatives of every management department will bring instructive ideas to the sales department was described last month. The following topics and speakers are scheduled:

#### Wednesday Morning, April 12

"Ideas from Production," Raymond S. Perry, Vice President, The Ingersoll Milling Machine Company; "Ideas from Finance," J. K. Lasser, President, J. K. Lasser & Company; "Ideas from Top Management," Merrill B. Sands, Pres-

(Continued on back page)

### Record Attendance at Packaging Conference and Exhibit



The recent AMA Packaging Conference and Exhibit, held at the Hotel Astor, New York, March 7-10, attracted record crowds, both at the show and at the various Conference sessions. Combined attendance totaled over 9000. Exhibitors have expressed themselves exceptionally well gratified this year by the quality of attendance at the exhibit. Registration for the various Conference sessions was 825, and reactions expressed since the meeting indicate that the Conference Planning Committee was unusually successful in arranging for topics of timely importance and speakers of exceptional qualifications.

# BUSINESS CONDITIONS & FORECASTS . . .

VOL. 12, No. 3 — PREPARED MONTHLY BY THE AMERICAN MANAGEMENT ASSOCIATION

	Alexander Hamilton Institute	Babson Statistical Organization	Brookmire, Inc.	B
General Outlook	Though the national income declined in January for the third consecutive month, it was 11.5% larger than in January, 1938; the decline apparently continued in February, but the outlook is that a moderate rebound will occur in March (March 11).	United States business, stimulated by the world-wide and domestic armament race, is preparing for its next advance; the Babson Index of the Physical Volume of Business has risen from the February level of 99.0 to a current figure of 99.5 (March 13-20).	The underlying trend of domestic business improvement continues strong, and recovery forces appear destined to carry business and the price level to heights well beyond those now considered reasonable (March 4-18).	Hope clinging to the prospects mainly on new few weeks; all probable, the movement which 25).
Money and Credit	On March 8, total loans of reporting member banks were 7.6% under a year ago; total deposits were 7.1% greater than in the same period in 1938, while excess reserves were 132.4% higher (March 18).	Credit reserves are rising daily; they can now finance a business expansion of \$250,000,000,000, compared with an actual expansion of \$55,000,000,000 at the 1929 boom peak (March 13).	Bank reserves and gold stocks are so large that they are capable of supporting an expansion of credit that would surpass the high totals of 1929; the nation's potential credit represents highly combustible material for eventual credit inflation (March 4).	Latest reports of commercial and banking Federal \$3,794,000,000, \$4,335,000,000.
Security Markets	Unsettlement in the security markets has been similar to that experienced during previous European crises; domestic stock prices declined 4.09% in the current movement (March 23).	The present "thin" market in stocks could easily touch off a sharp advance when investors begin to translate current good news into security purchasing; both 1939 and 1940 may witness sensational markets (March 13).	Though stocks experienced a sharp general decline in reaction to the turn of events in Europe, the primary trend of the market is upward; stock prices should have far to go to reflect fully the extension of the business trend in prospect (March 11-18).	Though more probable, Europe's trouble does not preclude values when, early settlement.
Production	The index of factory output stood at 98 in January, unchanged from December; this figure was 30.6% higher than in the same month last year; the prospects are that manufacturing activity will exceed normal in 1939 (March 18).	Automobile production now appears to be at its peak, and further expansion of the industry may be merely seasonal; the decline in output of steel ingots has run its course; in the machine tool industry, orders are following a favorable trend (March 6).	Auto production is being stepped up in response to rising retail demand; electrical equipment orders are piling up, and machine tool orders have registered a sizable gain (March 11-18).	Production ceive strong spending during thereafter a private powers of rec.
Distribution	Wholesale trade in January was 10.7% smaller than in December but 4.4% larger than in January, 1938; department store sales for the week ended March 4 showed a 7% gain over a year ago, as against a decrease of 5% in the previous week (March 11-18).	Nation-wide sales prospects are again pointing upward; business in New York City is 19% better than a year ago; 11 other cities show increases over a year ago ranging from 13% to 27% (March 6-13).	Department store sales during January were 1.4% lower than in the same month last year; however, sales of two mail-order houses were 11% higher than in January, 1938 (March 4).	Fair trade simultaneously Justice, the and the TNEC's tenance now headway in the laws (Mar.
Construction	A comparison of the cost-of-building index with the rent index shows that costs were still excessive in January; conditions do not favor the development of a general building boom, and the outlook is that rents will resume their decline (March 4).	January construction activity was the highest since 1930, and further revival of the building industry is in prospect; the building cycle is now coinciding with the business cycle for the first time in 20 years (March 13-20).	Though building contracts reported by F. W. Dodge for the first three weeks of February had declined 1.6% from January, they were 72.4% higher than in the same period of 1938 (March 4).	Particular from April the construction in the first half disappointing, building activity remains good.
Agriculture	In the week ended February 25, the price index of farm products rose to a new high for 1939 (March 11).	During the past month strength more than offset price declines among agricultural commodities, and the Babson Agricultural Price Index firmed to 97.4 on March 4; this compared with 97.3 last month and 103.1 a year ago (March 20).	The Department of Agriculture's seasonally adjusted index of farm income (1924-29 = 100) stood at 68.0 in January, unchanged from December and 2.2% lower than in January, 1938 (March 4).	The price of wheat but it is still a wheat remains which company (March 25).
Commodity Prices	The decline in the national income from December to January was partly the result of a further easing in the commodity price index, which dropped to 76.9—a new low level for the current recession (March 11-18).	The sensitive Babson Industrial Price Index sagged further to 135.4 on March 10, against 135.6 a month ago and 137.1 last year; however, study of all factors influencing commodity prices points definitely to an upward price trend ahead (March 20).	The index of all commodities other than farm and food products has shown no change for seven weeks; there are strong indications, however, that a higher level of consumption is approaching, which will not only expand production but raise prices (March 18).	Germany's area resulted commodity Price Index compares with 147.2 a year ago.
Labor and Wages	More than a million persons—primarily seasonal employees in retail trades—lost their jobs in January; as a result, the total number of unemployed in the United States rose from 11,735,000 in December to 12,882,000 in January (March 11).	Only 50 labor disputes in the United States and Canada showed up on our February record—the fewest since February, 1933; for the time being, no grave strikes seriously affecting industry are anticipated (March 20).	In January, factory employment declined 2.1% from December but showed a gain of 1.7% over January, 1938; the index of factory payrolls was 3.9% lower than in December but 10.9% above January, 1938 (March 4).	It is expected workers will strike and production will be down, number on record ever, 75% of workers laid off by
Foreign Trade and Conditions	The decision of Britain to finance its increased rearment spending through open-market borrowing reflects the serious situation in Europe; obviously, continued huge armament expenditures will lead either to economic bankruptcy or war (March 11).	We believe there will be no war in western Europe this spring; however, some fine day there will be another "appeasement" (March 13).	Although European events have been disturbing, war among any major powers remains improbable; statistics are beginning to show that England and France are joining the recovery parade (March 11-18).	In England and Hungary Empire without Hitler is in full swing; Memel he is (March 25).

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the sources.

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### Business Week

Hope clings more firmly than ever to the prospects for a business pickup, based mainly on new orders received in the last few weeks; although war has become more probable, there may be a temporary settlement which will help business (March 5).

Latest reports place outstanding commercial and agricultural loans of reporting Federal Reserve member banks at \$3,794,000,000, which compares with \$4,335,000,000 a year ago (March 25).

Though recent events seem to make more probable an eventual solution of Europe's troubles through war, they do not preclude a rapid recovery in stock values when, as is probable, some temporary settlement is reached (March 25).

Production of basic materials will receive strong support from government pending during the next six months, but thereafter a decline is threatened unless private investment can show unexpected powers of recuperation (March 25).

Fair trade laws have been under fire simultaneously by the Department of Justice, the Federal Trade Commission, and the TNEC; opponents of price maintenance now believe they may make some headway in their campaign for repeal of the laws (March 25).

Particular hope for business revival from April through July is placed on the construction industry; contracts awarded in the first half of March proved to be disappointing, but the broad outlook for building activity in the next six months remains good (March 25).

The price of cotton has declined slightly, but it is still above the level of a year ago; wheat remains unchanged at 69c a bushel, which compares with 91c a year ago (March 25).

Germany's absorption of the Memel area resulted in a considerable recession in commodity quotations; Moody's Spot Commodity Price Index stands at 142.7, which compares with 143.8 a month ago and 147.2 a year ago (March 25).

It is expected that in July 600,000 workers will be employed on PWA projects and producers of construction materials will be employing an even larger number on orders for PWA work; however, 75% of these workers will probably be laid off by mid-winter (March 25).

In England it is believed that Danzig and Hungary can go to the German Empire without fear of foreign intervention; Hitler is likely to capitalize this attitude with further swift coups, and after Memel he is expected to absorb Hungary (March 25).

### Dun's Review

Although business appeared to mark time during February, the outlook was good because of such factors as the Government's new emphasis on recovery, the strength of the building industry, and continuation of government spending; early March witnessed some gains (April).

Bank clearings, 22 U. S. cities, February, \$19,711,376,000, 15.0% below January, 12.1% above a year ago; Adjusted Insolvency Index (Failures) February, 54.3, compared with 56.3 in January and 65.4 a year ago (April).

The volume of transactions on the New York Stock Exchange was 13,873,823 in February, as compared with 25,182,350 in January; stock prices fluctuated little during February, and rose moderately in the first two weeks of March (April).

Production during February continued at about the same level as in January, failing to show the usual amount of seasonal expansion; steel operations were maintained at 54 to 55 per cent of capacity; automobile output exceeded orders (April).

The United States Trade Barometer for January stood at 91.3, down 3.9 points, or 4.1%, from the December level; all the regions recorded gains over a year ago (April).

The February volume of building permits showed a substantial gain over a year ago, but failed to show the customary seasonal increase over January; February building permits (215 cities) \$81,383,080, 13.1% below January, 50.7% above February, 1938 (April).

The Daily Commodity Price Index showed a mild downward trend to the middle of February, but closed the month at a level higher than the January average; the highest index so far this year was recorded during the first week in March (April).

Early estimates of payrolls and employment for February show spotty gains and losses, with probably a national total of less than the usual seasonal gain (April).

### Cleveland Trust Company

Increasing volumes of new construction make up the most encouraging factor in the present business situation; the major requisite for vigorous recovery is more durable goods production, and building helps in that direction (March 15).

In the last three months the flow of new funds into productive enterprise through the sale of corporate capital issues has amounted to only 67 millions, while the government contribution to purchasing power has totaled 877 millions (March 15).

The physical volume of industrial production, which stood at 24.2% below the computed normal level in January, declined during February to about 25.7% below normal; at its recent high point in December it was only 21.8% below the normal level (March 15).

During 1938 retail sales of new passenger cars totaled 1,811,000, a decline of 1,834,000 from the previous year; this figure compares with the depression low of 1,063,000 in 1932 and with a 1929 total of 4,137,000 (March 15).

In the first quarter of 1937, when business activity was at its highest recent levels, the index of building construction averaged 60; in the first quarter of 1938 it averaged 50; for November and December of 1938 and January of 1939, the average was 98 (March 15).

The volume of industrial production abroad declined from late 1937 to July of last year, and since then it has made a small recovery; our business prospects in this country depend in considerable measure on the degree of vigor of that recovery during 1939 (March 15).

### National City Bank

Considered as a whole, business evidently is in a period of marking time and minor adjustments; however, the favorable factors are impressive, and it is unlikely that the present slackening will either last long or reach serious proportions (March).

The money situation has continued easy, and there is apparently no likelihood yet of a change in that condition; during the first three weeks of February, the decline in business loans made by reporting member banks gave some indication of leveling off (March).

In 1938 the cash dividends declared by leading manufacturing corporations amounted to approximately \$1,818,000,000, compared with \$2,817,000,000 in 1937 and \$2,498,000,000 in 1936; this represents a decline of 35% from 1937 (March).

The first quarter of the year ordinarily brings a considerable increase in manufacturing activity; however, the rise in production in the second half of 1938 was so spectacular that most seasonal needs are being satisfied without increases in output (March).

Department store sales, which were disappointing in January and early February, especially in the Eastern cities, picked up in the middle of February; chain and mail order sales were good in January, uniformly showing gains over last year (March).

Building trade authorities agree that the construction volume this year should be the largest since 1929 or early 1930; total contract awards were 66% larger in the first half of February than in the same period last year (March).

January farm income was above that of a year ago, though only because of larger Government payments (March).

The commodity markets have strengthened moderately, although business men are conservative in their purchases (Mar.).

It is interesting to note that wage payments in the manufacturing industries declined by only 24% during 1938, against declines of 56% in profits and 35% in dividends shown by leading companies (March).

While stock prices in this country recovered sharply after the September crisis, the London market continued depressed until the end of January; since then there has been a sharp recovery to new highs since last fall (March).

## 300 At Marketing Sessions Discuss Sales Practices

### Same Management Principles Apply in All Departments, Speakers Hold

The same basic principles are at work in every field of management, regardless of whether it is production, advertising, or sales, it was shown at the Conference of the AMA Marketing Divisions held in New York City on April 12-13. This point was made repeatedly throughout the sessions and emphasized specifically by Rensis Likert, Assistant Manager of the Life Insurance Sales Research Bureau, who announced the results of a survey of the management policies of five major companies.

Mr. Likert drew four generalizations from the survey: (1) Effective selling depends upon the ability of salesmen to adapt the product or service to the specific needs of the customer; (2) a high supervisory ratio prevailed in the five companies surveyed, with the number of salesmen per executive averaging four; (3) the principle of high level compensation is the root of the compensation system surveyed; (4) extensive use of both economic and consumer marketing research, with constant testing of products and consumer reaction was a common feature of the five companies.

#### Over 300 Attend

The sessions, which drew more than

300 executives in charge of marketing, advertising and sales work, were marked by many extremely valuable discussions of marketing problems and sales practices. W. J. Donald, Managing Director of the National Electrical Manufacturers Association, discussing sales costs, declared that in many businesses that sell to other industries far less attention was given to sales costs than to production costs. He said there was too little critical analysis of sales costs, that too many executives do not take kindly to a program of controlling sales costs, and that too often apparently high sales costs were defended in terms of future expectations, in conflict with past performance.

S. M. Kinney, Vice-President and Sales Manager of Talon, Inc., gave a 14-point explanation of why his firm has found it advantageous to maintain its policy of one price to all customers.

The opening session of the Conference brought together executives representing various management functions, and a discussion was held on the problem of increasing departmental teamwork. Raymond S. Perry, Vice-President of Ingersoll Milling Machine Company, and Vice-President of the AMA Production Division, advocated interdepartmental competition. "If a firm is to maintain perpetual youth, it must have competition both inside and out," he said.

*A questionnaire from the Association is going out to all who attended the recent Marketing Conference asking for reactions to the sessions and for ideas for improving future meetings. While the questionnaire is long, its purpose is to elicit helpful information and not merely*

### Plans Completed for Insurance Conference

(Continued)

ager, Commonwealth and Southern Corporation; (b) The Insurer—James H. Coburn, Vice-President, The Travelers Indemnity Company, 3:00 P.M.—"Recent Developments in Use and Occupancy Insurance," J. Victor Herd, Vice-President, Fire Association of Philadelphia.

**Monday Evening**—Dinner Session, 7:00 P.M., J. H. Nickell, Manager, Insurance Division, Philadelphia Electric Company, presiding.

**Tuesday Morning**, May 23—Questions-and-Answers Session, Ralph H. Blanchard, School of Business, Columbia University, presiding. Professor Blanchard will be assisted by a group of well qualified insurance executives, who will be prepared to speak on various forms of insurance.

**Tuesday Noon**—Luncheon Session, 1:00 P.M., Alvin E. Dodd, President, American Management Association, presiding. "Reciprocal Insurance," Ernest W. Brown, Associated Reciprocal Exchanges.

**Tuesday Afternoon**—J. G. Reese, Supervisor of Insurance and Safety, Consolidated Gas, Electric Light and Power Company of Baltimore, presiding. 2:30 P.M.—"Fire Prevention," George W. Elliott, Past President, National Fire Protection Association. 3:30 P.M.—Motion Pictures: "The March of Time," National Fire Protection; "Approved by the Underwriters," Underwriters Laboratories, Inc.

statistics. The Association will deeply appreciate any thought which registrants at the meeting will give to the questions.

### Marketing Executives at AMA Sales Conference



Snapped at the recent AMA Marketing sessions at the Hotel Commodore, New York City, are shown from left to right in the two pictures: Eldridge Haynes, Vice-President, McGraw-Hill Publishing Company, Inc.; Sanford E. Thompson, President, The Thompson & Lichtner Company, Inc.; Edgar Kobak, Vice-President, Lord & Thomas, and Vice-President, AMA Consumer Marketing Division; Frederick B. Heitkamp, Vice-President, American Type Founders Sales Corporation; E. O. Shreve, Vice-President, General Electric Company; C. E. Stephens, Vice-President, Westinghouse Electric & Manufacturing Company; Raymond S. Perry, Vice-President, Ingersoll Milling Machine Company, and Vice-President, AMA Production Division.